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The Impact of the Recent Dynamics in the Free Trade Zones on Dominican Women

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This report presents the primary findings of two studies¹ produced by the Caribbean Center for Economic Research (CIECA) and Tejada and Associates in collaboration with the USAID-financed Greater Access to Trade Expansion (GATE) project. Using data from the National Survey of People Displaced from Free Trade Zones (ENDZF) conducted by Tejada and Associates, the reports analyze the differing impact of the textile sector crisis in the Dominican Free Trade Zones on men and women, examine the possibilities for absorption of displaced labor from the sector, and identify programmatic interventions and policy guidelines necessary to reduce the economic and social effects of the layoffs.

INTRODUCTION

Recent changes in world trade present an important challenge for the competitiveness of the Dominican Republic's free trade zone sector, where primary indicators have shown negative trends over the past decade. The significant loss of trade preferences from the United States (the Dominican Republic's main customer for its exports from this sector), accompanied by a reduction in trade barriers for imports from various Asian countries into the U.S., has created serious difficulties for the textile and apparel industry—the primary activity in the free trade zones. The direct effects of the textile crisis have been a decrease in production, the closing of businesses, and the displacement of approximately 54,000 workers between 2004 and mid-2007. While no sex-disaggregated data are available on displaced workers, the percentage of displaced women workers is thought to be similar to the percentage of women working in this sector, estimated at 55 percent between 2005 and 2006.

It is important to analyze the impact that these changes have had on the female labor force because of the enormous contribution of female labor force to the sector—and therefore to the national economy of the Dominican Republic. Even though economic research has traditionally been indifferent to gender issues, it is known that socio-economic decisions impact men and women differently. Research also shows that gender constructions condition economic decisions. Women and men have experienced changes in the textile sector in different ways. Understanding the consequences of the decline in this sector, both on the working population and on the national economy, may identify strategies for recovering national competitiveness in the Dominican Republic.

KEY FINDINGS

WOMEN'S SHARE OF EMPLOYMENT IN THE FTZ IS DECLINING

The free trade zones have generated jobs for many women, especially in the textile sector. In many cases, this opportunity has been their entry point into the formal labor market and has generated an important source of income for them, enhanced their autonomy, and increased levels of self-esteem and empowerment. Yet, women's labor force participation in the Free Trade Zones has been in steady decline over the last 15 years. While in 1993, women made up 61 percent of the labor force; in 1996 they were only 53 percent of the labor force. By 2005 their participation rates had dropped to 51 percent.²

¹ "Recent Dynamics of Production, Trade, and Employment in the Export Processing Zones of the Dominican Republic," and "Dynamics of Unemployment in the Textile Sector of Free Trade Zones in the Dominican Republic between 2003 and 2005."

² Isa, Pavel and Consuelo Cruz. "Recent Dynamics of Production, Trade, and Employment in the Export Processing Zones of the Dominican Republic." USAID Greater Access to Trade Expansion Project, Arlington, VA: Development & Training Services, Inc. (DTS), March 2007.

As this suggests, men have been drawn in greater numbers to employment in the Free Trade Zones. The rising trend of men's labor force participation has mainly occurred in the non-apparel sectors. In 2002 men made up 49 percent of the non-apparel workforce, which by 2004 had jumped to 61 percent. By comparison, their participation in the apparel sector remained steady moving one percentage from 46 to 45 between 2002 and 2005. In part, the expansion of men's employment opportunities is the result of the diversification of investments within the FTZs away from the apparel sector. Between 1999 and 2005, exports from the apparel sector dropped from 55 to 40 percent with exports from other industries, such as electrical and medical products, tobacco, footwear and jewelry expanding.³

The data demonstrate that women have contributed significantly to the Dominican economy during the past 15 years and represent valuable labor assets. Roughly 11 percent of Dominican women working were employed in the Free Trade Zones between 1993 and 2003.⁴ However, changes occurring in investments in the free trade zones have reduced growth in opportunities available for women.

OCCUPATIONAL SEGREGATION LIMITS OPPORTUNITIES FOR WOMEN

Data from the National Council of Free Trade Export Zones (CNZFE) shows that women were the majority of apparel workers (57 percent) in the period between 1993 and 2005, but were a minority within the technical staff (38 percent). With respect to administrative staff, the participation of men increased progressively from 35 percent in 2000 to 54 percent in 2005. In terms of the specific tasks carried out in the textile sector, women generally work in sewing, inspection, packing, and planning, because they are more "delicate, sensitive, and detail-oriented."⁵ Men, on the other hand, are placed in jobs such as cutting, ironing, and shipping, as they are considered "stronger." Men are also more likely to be in positions that require higher levels of training, such as technicians and administrators. These stereotypes indicate that classification of women as the "weaker sex" persists in this economic sector, and may have been reinforced. Moreover, women have internalized these perceptions, making them more reluctant to work in cutting and ironing activities because these are "jobs for men." The beliefs surrounding men and women's innate skills may determine employer preferences in the process of recruitment. Thus, recruitment is not based on identifying the individual's abilities but, rather, on gender stereotypes of appropriate roles.

These data show that occupational segregation by gender in the free trade zones, and particularly in the textile sector, limits employment opportunities for women. As free trade zone activities move away from industries that have traditionally employed women, occupational segregation by gender could deepen further, since women are being expelled from the textile sector and are unable to find work in other sectors. Discrimination, whether deliberate or not, reduces efficiency in the labor markets since it does not allow labor to move where it can be most productive. Occupational segregation reduces overall growth.

WAGE DIFFERENCES EXIST BETWEEN MEN AND WOMEN WHO WORK IN THE FREE TRADE ZONES

Employees in the free trade zones receive lower than average wages according to information in the 2005 Human Development Report.⁶ However this gap has declined from a 30 percent difference in 2000 to a 24 percent difference in 2003. The 2003 National Labor Force Survey (ENFT) data, when disaggregated by sex, shows that the average wage for men in the free trade zones was 30 percent higher than the average wage for women. [National Survey of People Displaced from Free Trade Zones \(ENDZF\)](#) data also shows a wage gap in favor of men: 34.7 percent of women earned less than RD\$3,600 (about US\$110), but only 17.5 percent of men were in that salary range. While it is true that wages depend in large part on the area of work, on efficiency, and on the completion of production goals, it is important to recognize that the jobs in the apparel sector where men predominate are better remunerated.

FEMINIZATION OF UNEMPLOYMENT IN THE FREE TRADE ZONES

The ENDZF results show that the strategies that displaced workers use to find new jobs have had very limited success, especially for women workers. Of the 1,500 people interviewed, 59 percent said they were involved in

³ Ibid.

⁴ United Nations Development Program (UNDP). "Human Development Report 2005." Santo Domingo, Dominican Republic: UNDP, 2005.

⁵ See note 2.

⁶ See note 4.

some income-generating activity. Some 69 percent of those who remained unemployed were young women between the ages of 21 and 30.

HOUSEHOLD EFFECTS OF FEMALE UNEMPLOYMENT

Unemployment not only means a loss of income but in some cases can also mean losing access to health insurance and other collateral benefits. When households can no longer afford or access healthcare systems, women must step in and care for family members. Furthermore, female unemployment reduces intergenerational transfers, which, as several studies have shown, could decrease women's investment in education and health to benefit the youngest members of the family.

ENDZF data shows that displaced women workers are concentrated in age groups between 21 and 30 years. Almost all of the women interviewed (97 percent) have or had a partner or spouse, whereas 20.7 percent of the men interviewed were single and had never had a partner. Almost all of the women interviewed (92.7 percent) have at least one child and 64 percent are married. Thirty-two percent of displaced women workers live with their children, but without a partner, which makes them particularly vulnerable.

REINSERTION IN THE FORMAL SECTOR HAS HAD VERY LIMITED SUCCESS

Only one-third of the people interviewed (34 percent) have been formally reincorporated into the workforce through a job contract. Men have benefited more from contract-based labor than women, at 39 percent compared to 29 percent for women. Most of those displaced from the textile sector who were employed at the time of the survey have had to move into the informal sector. A look at informal sector growth between 2003 and 2005 reveals that the economically active population working in the informal sector went from 48 percent to 54 percent during this period. While the informal sector can offer higher income, in many cases these jobs are volatile and precarious and include fewer benefits and collateral benefits.

WOMEN ARE IMPORTANT RESOURCES FOR A COMPETITIVE LABOR FORCE

Of the total economically active population in 2007 (4,176,861 people), 43 percent had finished elementary school, 32 percent had finished secondary school, and 18 percent had some university education.⁷ Disaggregating the levels of education by sex, women demonstrate higher levels of education than men. The levels of university education are particularly notable since 26 percent of women in the economically active population have a university education—double the percentage of men. The percentage of women with a secondary education is 34.5 percent, higher than men by four percentage points. ENDZF data also indicate that the educational level of employed women is higher than that of employed men.

National unemployment rates for women, however, and unemployment rates in the textile sector specifically, show a feminization of unemployment that is counter to what should be expected given the educational level of Dominican women. These trends are of great concern as they indicate that the competitiveness of the national economy inefficiently allocates its labor and relies on a highly sex-segmented workforce.

RECOMMENDATIONS

Increase the government's capacity to conduct gender analysis. The distributive effects of policies can be analyzed and mitigated by investing in data collection (particularly sex-disaggregated data), developing the capacities of ministries and governmental organizations, and promoting the use of gender-sensitive instruments such as budgets and tax analyses. The integration of a gender perspective in labor market analysis will permit the Dominican government to offer greater advantages to men and women so that they can take advantage of economic opportunities and mitigate the negative effects of trade policies. Policy analysts must also take into consideration the economic and social costs of the disproportionate dependence of women on social services, and any other policy that might reduce or alter the benefits of these services.

Support programs for labor force development. These programs can offer opportunities and training to women in a broad range of sectors and at various levels of aptitude. For women who were displaced from the free trade zones and whose participation has been limited mostly to sectors with low production and little specialization,

⁷ Banco Central de la República Dominicana. *Encuesta Nacional de Fuerza de Trabajo*. Santo Domingo: Banco Central, 2007.

workforce development programs can help them obtain more productive and more highly remunerated jobs. In order to maximize the participation of women, these programs should be structured in such a way that the women's domestic responsibilities do not limit their participation.

Design comprehensive programs for training, and provide career services for women. These programs should include activities aimed at implementing active labor market employment policies, promoting training centers with active private sector participation in the design of the courses, and training women in areas such as the production and management of medical and pharmaceutical products, electronics, jewelry etc. These programs should also help secure private sector commitment to recruiting the women who are trained. Finally, part of the government's "Program for Support to Women Headed-Households" (Programa de Apoyo a Mujeres Jefas de Hogar) should be directed at the women who have been displaced from the free trade zone apparel sector.

Develop family-friendly policies and programs to facilitate the participation of women in the labor market. These programs can be used in creative ways to help women access employment and improve their job stability. Maternity and paternity leave policies should be instituted and daycare and childcare centers should be supported. Loans and donations to women or groups of women could assist to establish daycare centers near the training centers and job sites; or central and local governments could assume part of the costs. Tax incentives could be provided for companies that support the establishment of private daycare centers.

Develop policies and programs to correct the gender inequities that block women's and men's access to social security benefits. The social security law needs to be improved, and its implementation should be accelerated by creating an unemployment insurance program according to Article 50 of Law 87-01, which created the Dominican Social Security System. Furthermore, due to the increased number of workers in the informal sector, small local associations, cooperatives, or unions that organize independent and/or informal sector workers should be supported so that these workers can receive alternative benefits to social security.

ABOUT THE GREATER ACCESS TO TRADE EXPANSION (GATE) PROJECT

The GATE Project is a five-year (September 2004-September 2009) USAID Task Order (TO), funded by the Office of Women in Development (WID) implemented by Development & Training Services, Inc. (dTS). GATE works with seven USAID Missions to better integrate gender considerations into economic growth and trade-related programs in order to help expand areas of opportunity and mitigate the adverse effects of economic and trade expansion for poor women and men. The full reports were produced for USAID/Dominican Republic by the GATE Project and are entitled: "Dinámicas Recientes de la Producción, el Comercio y el Empleo en las Zonas Francas de Exportación de la República Dominicana," and, "Dinámicas del Desempleo en el Sector Textil de Zonas Francas en la República Dominicana entre el 2003 y el 2005." These are available for download, along with more information on other gender and trade-related research on the USAID Women in Development website at http://www.usaid.gov/our_work/cross-cutting_programs/wid/.